

**Mekong River Commission
Operating Expenses Budget**

**Financial Statements
And
Independent Auditors' Report
Year ended 31 December 2015**

Mekong River Commission – Operating Expenses Budget

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Mekong River Commission

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Report of the MRCS Management

The Management of the Mekong River Commission Secretariat (MRCS) presents its report and the financial statements of the Mekong River Commission for the year ended 31 December 2015.

Principal activities during 2015

The Mekong River Commission (MRCS) has been completing the implementation of its twelve key Programmes with technical cooperation and financial support from 13 ongoing Development Partners committed for the Strategic Plan 2011-2015.

This year, MRCS finalized the Basin Development Strategy 2016-2020 which outlines the development opportunities and strategic priorities and actions that move national planning towards basin-wide optimal and sustainable development in the Mekong Basin. The Strategy, the result of a two-year stakeholder engagement process, was finally endorsed and approved by the MRC Joint Committee and Council respectively.

The Roadmap entails firstly the decentralisation of the Core River Basin Management Functions (CRBMFs) to be implemented at the national level (Batch 1 for the last SP period, and Batch 2 for this period starting in 2016) and centralization of the core functions to be implemented at the regional level (centralised activities); secondly restructuring of the MRCS, thirdly staffing reform and lastly financial reform.

Two other activities will continue to be further decentralised during 2016-2020, with the financial support from the MRC regional level phased out by 2017 for one activity for all 4 countries, and for the other activity by 2020 for Cambodia and Laos. Regional support for the decentralisation of these activities and of 4 additional activities of Batch 2 during next 5 years has already been included in the new Strategic Plan, using the new Basket Fund. National level implementation of Batch 1 and Batch 2 activities is also included in the updated NIPs. This is to ensure that national activities contributing to the MRC's regional cooperation are well imbedded in the national systems.

On restructuring, MRCS has also made progress with the Council's approval of the new structure of MRCS which is to come into effect July 2016. The new structure is composed of four divisions, namely Administration, Environmental Management, Planning and Technical Support.

With regard to the financial reform, MRCS has finalized an operational guideline of the MRC Basket Fund based on the concept note. In addition, MRCS is in the process of implementing the new Financial Management Information System (FMIS) with new accounting software (MS Dynamics NAV 2015), working closely with the vendor (NaviWorld Viet Nam). The new FMIS is in the go-live phase and will be operational in February 2016.

This year, MRCS succeeded in establishing a Master Plan for Regional Waterborne Transport along the Mekong river system and also evaluated the aids to navigation systems in Cambodia and Viet Nam as well as provided equipment to ensure safe navigation along important stretches of the Mekong River in those countries. The Council Study on Sustainable Management and Development of the Mekong River



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Including the Impacts of Mainstream Hydropower Projects has also made significant progress this year so as to gain a more complete and fundamental understanding of the impacts, both positive and negative, of water resources developments in the Lower Mekong Basin to support informed basin planning and decision making.

Further work continued on the finalization of the pending procedures and technical guidelines and their realistic implementation through the Mekong Integrated Water Resources Management Project (M-IWRMP). A MRC Joint Platform was established to take a fresh look at the procedures as tools for cooperation, and also bring the on-going development of the technical guidelines as well as the required capacity-building processes, under one roof. In order to encourage trans-boundary dialogue, M-IWRMP has also been supporting five trans-boundary projects between bilateral partners on specific issues including wetlands management, communication outreach, fisheries management and significant water resources management.

Collaboration with China continued throughout the year through the sharing of hydrological data on the Mekong-Lancang River and information related to the operations of the Jinhong reservoir, as well as the organization of technical visits and exchange meetings. In April a Chinese scientist team conducted joint assessments with their MRCS and Member Countries technical counterparts of water level fluctuations at hydro-met stations in Chiang Sean, Thailand and Luang Prabang, Lao PDR.

Although Development Partner support ended for some of the programs in 2015, various agreements have been signed with Australia, Switzerland, France and Germany that go beyond 2016. MRCS would like to extend our gratitude to our Development and Dialogue Partners for their continued support so that we can more effectively respond to the structural, operational, staffing and financial reforms in the coming year.



Report of the MRCS Management (continued)

The MRCS Management

The members of the MRCS Management who held office during the year and at the date of this report are:

Pham Tuan Phan	Chief Executive Officer from 18 January 2016
Hans Guttman	Chief Executive Officer until 12 February 2015
So Sophort	Director of Operations Division from 1 July 2014 Officer-in-Charge of the MRC Secretariat until June 2015
Truong Hong Tien	Director of Technical Support Division from 1 July 2014 Officer-in-Charge of the MRC Secretariat until 17 January 2016
Naruepon Sukumasavin	Director of Planning Division from 1 July 2014 until 30 June 2016 Director of Administration Division from 1 July 2016
Aloune Sayavong	Director of Environment Division from 1 October 2014
Boun Xaiyath	Chief of Finance and Administration Section until 31 October 2015
Nguyen Thi Thanh Huong	Officer-in-Charge of Finance and Administration Section from 01 November 2015 until 30 June 2016 Officer-in-Charge of Chief Financial Officer from 1 July 2016
Tarika Wongsinsirikul	Chief of International Cooperation and Communication Section from 17 January 2014
Natayaporn Jumratsri	Chief of Human Resources Section



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Statement of Management's Responsibilities

It is the responsibility of management to prepare financial statements for the year ended 31 December 2015, which give a true and fair view of the state of affairs of the MRC as at the end of the year and of the surplus or deficit for that year. In preparing those financial statements, management is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- Maintain financial records and prepare the financial statements in accordance with the policies and procedures of the Mekong River Commission; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Commission will continue its operations.

MRCS Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Commission. Members of MRC management have a general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Commission and to prevent and detect fraud and other irregularities.

MRCS Management confirms that the MRC has complied with the above requirements in preparing the financial statements.

On behalf of the management

Pham Tuan Phan
Chief Executive Officer

Date: **2 5 OCT 2016**

Naruepon Sukumasavin
Director of Administration Division

Date: **2 5 OCT 2016**



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Independent Auditors' Report

To: The Members of the Joint Committee of the Mekong River Commission

We have audited the accompanying financial statements of the Operating Expenses Budget ("OEB") of the Mekong River Commission ("MRC" or "the Commission") which comprise the statement of income, expenditure and und balance for the year ended 31 December 2014, and notes, comprising of a summary of significant accounting policies and other explanatory information from page 7 to 14. The financial statements have been prepared by the Management based on the accounting policies as described in Note 2.

Management's Responsibility to the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the basis of accounting and the accounting policies as described in Note 2, for determining the acceptability of the basis of accounting, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Commission's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Operating Expenses Budget of the Commission for the year ended 31 December 2015 is prepared, in all material respects, in accordance with the accounting policies as described in Note 2

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the MRCS Management in meeting the reporting requirements of the MRC's Joint Committee and its partners. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Commission and its partners and should not be distributed to or used by parties other than the Commission or its partners.

KPMG Lao Co., Ltd.
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Vientiane Capital
Lao PDR

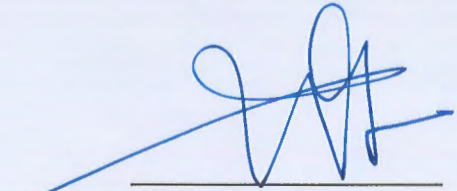
Date: **25 OCT 2016**

Mekong River Commission – Operating Expenses Budget

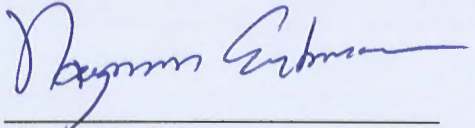
STATEMENT OF INCOME, EXPENDITURE AND FUND BALANCE

As at and for the year ended 31 December

	Note	2015 USD	2014 USD
INCOME			
Contributions from Riparian Governments	3	1,636,557	2,849,633
		<u>1,636,557</u>	<u>2,849,633</u>
Revenue			
Interest	4	96,419	95,752
Miscellaneous		41,555	10,346
Management and administration fees	5	2,324,132	2,062,321
		<u>2,462,106</u>	<u>2,168,419</u>
TOTAL INCOME		<u>4,098,663</u>	<u>5,018,052</u>
EXPENDITURE			
Administrative Expenditure			
Staff salary and fees	6	1,717,229	1,806,891
Common staff costs	7	657,283	798,292
Travel	8	33,472	18,577
Contractual services	9	122,977	83,997
General operating expenses	10	452,042	294,831
Supplies	11	25,809	29,569
Furniture and equipment	12	77,462	61,699
MRC meeting expenses	13	332,034	258,015
Support to National Mekong Committees and programme	14	431,419	74,715
		<u>3,849,726</u>	<u>3,426,586</u>
Administrative Reserve Fund	15	184,941	334,793
TOTAL EXPENDITURE		<u>4,034,668</u>	<u>3,761,379</u>
Movement in Fund Balance for the year		63,996	1,256,673
Fund Balance as at 1 January		4,567,698	3,311,025
Fund Balance as at 31 December		<u>4,631,694</u>	<u>4,567,698</u>


Pham Tuan Phan
 Chief Executive Officer

Date: **2 5 OCT 2016**


Naruepon Sukumasavin
 Director of Administration Division

Date: **2 5 OCT 2016**

Mekong River Commission – Operating Expenses Budget

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

The Mekong River Commission (“MRC” or “the Commission”) was established in 1995 with the signing of the Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin. The MRC Member Countries are Cambodia, the Lao PDR, Thailand and Viet Nam, with China and Myanmar as Dialogue Partners.

Since its establishment, the MRC has strived to develop work programmes and strategies to best serve its mission to promote and coordinate sustainable management and development of water and related resources for the countries’ mutual benefit and the people’s well-being. Over the years, with a vision to bring about an economically prosperous, socially just and environmentally sound Mekong River Basin, the MRC has placed regional cooperation and basin-wide planning at the heart of its operation.

The Commission is governed by a Council which comprises of the environment and water ministers of the four Member Countries. The Council Members would review and mutually conclude on the management and development of water and related resources. These decisions and policies are then put into action by the MRC Joint Committee, which comprises senior officials at no less than Head of Department level of the four countries, and supported by national line agencies including the Ministry of Foreign Affairs.

The Commission’s technical and administrative functions fall under an operational arm, the MRC Secretariat (“MRCS”), which is led by a Chief Executive Officer. Currently there are about 145 (2014: 157) staff members based in the two Secretariat offices in Vientiane, Lao PDR and in Phnom Penh, Cambodia.

MRCS facilitates regional meetings of the Member Countries and provides technical advice on joint planning, coordination and cooperation. It also works closely with the four countries’ coordinating bodies, the National Mekong Committees (“NMCs”), and other state agencies.

Mekong River Commission – Operating Expenses Budget

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting

The financial statements, which are expressed in United States Dollar (“USD”), have been prepared on a modified cash basis of accounting. The significant policies adopted in the preparation of the financial statements are set out below.

- *Income recognition*

Contributions from Riparian Governments are recognised as income when cash is credited to the Commission’s bank accounts.

Bank interests are recognised as income when credited to the Commission’s bank accounts.

Other income and revenue are recognised upon cash receipts.

- *Expenditure recognition*

Expenditure is recognised when paid except for: staff health and life insurance premiums, personal telephone and fax costs charged to staff, project related expenses and repatriation fee, which are recognised on an accrual basis; and advances to National Mekong Committees, projects and employees, which are recognised when cleared.

b. Property and equipment

For control and management purposes, a memorandum account for property and equipment is maintained by way of a property and equipment listing. All property and equipment are expensed in full in the income and expenditure statement at the date of acquisition. Proceeds from disposal of property and equipment are recognised as a decrease in expenditure rather than an increase in income in the statement of income and expenditure.

c. Foreign currency transactions

Monetary assets and liabilities denominated in currencies other than USD are translated into USD at rates of exchange ruling at the balance sheet date. Transactions in currencies other than USD are translated into USD at the MRC operational rates of exchange on the date of the transactions. All exchange differences are recorded in the statement of income and expenditure.

Mekong River Commission – Operating Expenses Budget

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

3. CONTRIBUTIONS FROM RIPARIAN GOVERNMENTS

	2015	2014
	USD	USD
Cambodia	476,734	443,237
Lao PDR	476,734	443,237
Thailand	22,773	1,358,671
Viet Nam	660,316	604,488
	<u>1,636,557</u>	<u>2,849,633</u>

The MRC received and recorded the partial contribution from Thailand for the year 2015 amounting to USD 699,585.35 in the year 2014.

4. INTEREST

This represents interest on the Commission's funds which is used for Operating Expenses Budget ("OEB") expenditure.

5. MANAGEMENT AND ADMINISTRATION FEES

The Management and Administration Fees are calculated at a percentage (11% for most projects) of the project expenditure and are recognised as revenue under the OEB fund and as expense under the Development Partners' funds. These are used to cover the expenses of the Commission's Secretariat in rendering technical and administrative services to the projects.

6. STAFF SALARY AND FEES

	2015	2014
	USD	USD
Professional posts	1,070,531	1,184,148
General service posts	614,973	581,221
Temporary general services	15,715	24,840
Overtime payments	16,010	16,682
	<u>1,717,229</u>	<u>1,806,891</u>

Mekong River Commission – Operating Expenses Budget

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

7. COMMON STAFF COSTS

	2015	2014
	USD	USD
Dependency allowances - professional staff	13,197	13,479
Assignment/ relocation allowances	2,858	6,276
Housing allowances	50,958	65,222
Post allowances	41,548	88,808
Hardship allowances	37,948	57,360
Dependency allowances - general support staff	58,109	60,462
Uniforms/ laundry allowances	-	1,985
Provident fund - professional staff	140,251	158,984
Provident fund - general support staff	83,785	81,404
Medical insurance	18,534	19,346
Life and accident insurance	8,659	9,122
Medical examinations	67	704
Cost of living compensation-RP	49,697	53,969
Cost of living compensation-GS	59,931	58,123
Education grants	4,890	7,002
Home leave travel	3,393	2,852
Recruitment	109	15,634
Separation costs	24,772	23,649
Other training	52,590	63,204
Other costs	5,987	10,707
	<u>657,283</u>	<u>798,292</u>

8. TRAVEL

	2015	2014
	USD	USD
External travel	1,252	2,124
Riparian travel	32,220	16,453
	<u>33,472</u>	<u>18,577</u>

9. CONTRACTUAL SERVICES

	2015	2014
	USD	USD
External audit	44,750	13,320
External printing	19,369	4,326
EDP system development	-	12,000
Security guards	45,421	40,695
Miscellaneous contractual services	13,437	13,657
	<u>122,977</u>	<u>83,997</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

10. GENERAL OPERATING EXPENSES

	2015	2014
	USD	USD
Office improvements	27,872	9,813
Office maintenance	8,272	10,221
Utilities	121,405	114,436
Equipment rental and maintenance	20,677	24,224
Vehicle operation and maintenance	7,262	8,351
Vehicle insurance	3,738	4,700
Internet and e-mail	59,386	70,532
Telephone installation, rent and maintenance	2,447	1,418
Local telephone calls	984	2,696
Long distance telephone calls	6,302	4,984
Pouch and courier	4,210	3,295
Postage	940	705
Facsimile	74	145
Hospitality expenses	6,088	7,902
Non-life insurance	2,279	6,346
Bank charges and forex loss*	174,524	16,849
Miscellaneous expenses	5,582	8,214
	<u>452,042</u>	<u>294,831</u>

* Forex loss due to closing of EURO bank accounts at Public bank, Vientiane.

11. SUPPLIES

	2015	2014
	USD	USD
Stationery	9,088	8,833
Document reproduction	1,128	-
Computer supplies	4,597	7,635
Books/ periodicals	2,927	5,176
Audio visual aids	-	170
Other supplies	8,069	7,755
	<u>25,809</u>	<u>29,569</u>

12. FURNITURE AND EQUIPMENT

	2015	2014
	USD	USD
Furniture and fixtures	6,262	3,071
Non-EDP equipment	2,000	-
EDP equipment	55,129	38,372
EDP software-ready made	14,071	20,256
	<u>77,462</u>	<u>61,699</u>

Mekong River Commission – Operating Expenses Budget

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

13. MRC MEETING EXPENSES

	2015	2014
	USD	USD
Council meetings	91,260	77,211
Joint Committee meetings	117,636	103,694
Development Partner Consultative Group meetings	32,061	25,718
Dialogue meetings	19,996	-
Other meetings	71,081	51,391
	<u>332,034</u>	<u>258,015</u>

14. SUPPORT TO NATIONAL MEKONG COMMITTEES AND PROGRAMMES

	2015	2014
	USD	USD
Cambodia	68,262	21,000
Lao PDR	67,955	35,943
Thailand	55,852	17,772
Viet Nam	67,846	-
Support to programmes	171,504	-
	<u>431,419</u>	<u>74,715</u>

15. ADMINISTRATIVE RESERVE FUND

	2015	2014
	USD	USD
2.1\61\10\ARF\O	-	-
Co-hosted location of the MRCS (OSP & OSV)		
2.2\30\14\ARF\O	-	91,755
Support to Mekong2Rio-May 2012		
2.2\32\14\ARF\O & 2.2\33\14\ARF\O	-	55,031
External Painting of OSV Building & Pavement Improvement		
2.2\35\14\ARF\O	-	187,798
Support to 2nd MRC Summit		
2.2\21\12\ARF\D	-	209
Drought Management Programme		
2.2\48\15\ARF\O	184,941	-
ARF support to International Conference in April 2015		
	<u>184,941</u>	<u>334,793</u>

Items under the Administrative Reserve Fund represent the following:

(i) The expenditure incurred for the Mekong2Rio Conference following the decision of the Thirty-fifth Joint Committee Meeting in April 2012;

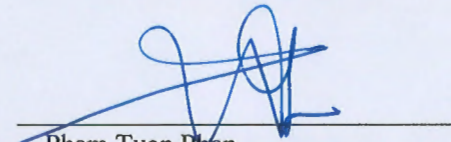
(ii) The expenditure incurred for External Painting of the OSV Building and the Pavement Improvement, following the Thirty-ninth Joint Committee Meeting's decision in March 2014;

(iii) The expenditure incurred for the 2nd MRC Summit following the Thirty-ninth Joint Committee Meeting's decision in March 2014; and

(iv) The expenditure incurred for the Drought Management Programme as approved by the MRC Joint Committee at its Thirty-sixth meeting in October 2012.

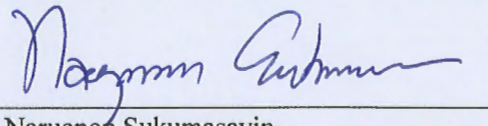
16. PROVIDENT FUND

The Commission manages a provident fund, which had a balance at 31 December 2015 of USD 224,497.09 (31 December 2014: USD 2,631,239), to provide a savings scheme in lieu of a pension fund on behalf of 8 (2014: 150) members of staff who are eligible for the scheme. Staff and the Commission contributions are banked in a separate bank account. The Commission's contributions to the fund are included in the statement of income and expenditure as personnel services in respect of project expenditure, and as staff salary and fees in respect of administrative expenditure. Payments from the provident fund and its balance are not reflected in the Commission's financial statements.



Pham Tuan Phan
Chief Executive Officer

Date: **2 5 OCT 2016**



Naruepon Sukumasavin
Director of Administration Division

Date: **2 5 OCT 2016**